

**CITY OF MARQUETTE, MICHIGAN  
PETER WHITE PUBLIC LIBRARY**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2008**

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Trustees  
of Peter White Public Library  
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities and each major fund of the Peter White Public Library, component unit of the City of Marquette, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Peter White Public Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Peter White Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Peter White Public Library as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008, on our consideration of Peter White Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 28 through 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Members of the Board of Trustees  
of Peter White Public Library  
Marquette, Michigan 49855

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peter White Public Library's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

November 24, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Peter White Public Library's financial performance provides an overview of the Library's financial activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements, which begin on page 11.

### FINANCIAL HIGHLIGHTS

- Net assets for the Library as a whole were reported at \$3,503,726. Net assets are comprised of 100% governmental activities.
- During the year, the Library expenses were \$2,172,352, while revenues from all sources totaled \$1,850,797 resulting in a decrease in net assets of \$321,555.
- The general fund reported a net change in fund balance of (\$187,339). This is \$187,339 lower than the forecast of no change in fund balance. This was mainly a result of a transfer to the 1998 Building Authority Debt Service Fund.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Library as a whole and present a longer-term view of the Library finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Library operations in more detail than the government-wide statements by providing information about the Library most significant funds.

### Reporting the Library as a Whole

One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Library's *net assets* and changes in them. You can think of the Library's net assets - the difference between assets and liabilities - as one way to measure the Library's financial health, or *financial position*. Over time, *increases or decreases* in the Library's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Library's patron base and the condition of the Library's capital assets, to assess the *overall financial health* of the Library.

In the Statement of Net Assets and the Statement of Activities, we report all of the Library's activities as governmental activities. Governmental activities include the Library's basic services such as cultural services and general administration. Property taxes and other local sources fund most of these activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### Reporting the Library's Most Significant Funds

The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the Library as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Library Board has established other funds to help it control and manage money for particular purposes. The Library's funds are all governmental type funds which use the following accounting methods.

- *Governmental funds* – All of the Library's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Library's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.

### The Library as a Whole

Table I provides a summary of the Library's net assets as of June 30, 2008.

**Table 1**  
**Net Assets**

	Governmental Activities	
	2008	2007
Current and other assets	\$2,078,333	\$2,415,548
Capital assets, net	5,544,676	6,032,734
Total Assets	7,623,009	8,448,282
Current liabilities	1,349,769	1,619,021
Non-current liabilities	2,769,514	3,003,980
Total Liabilities	4,119,283	4,623,001
Net Assets:		
Invested in capital assets, net of related debt	2,634,676	2,632,734
Restricted	787,502	852,421
Unrestricted	81,548	279,421
Total Net Assets	\$3,503,726	\$3,825,281

Net assets of the Library's governmental activities stood at \$3,503,726. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$81,548.

The \$81,548 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The results of this year's operations for the Library as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2008.

**Table 2**  
**Changes in Net Assets**

		Governmental Activities	
		2008	2007
<b>Revenues</b>			
Program revenues:			
Charges for services		\$230,583	\$256,058
Operating grants and contributions		545,041	457,501
Capital grants and contributions		-	-
General revenues:			
Property taxes		1,073,124	1,052,105
Investment earnings		(5,754)	63,916
Miscellaneous		7,803	276,586
Total Revenues		<u>1,850,797</u>	<u>2,106,166</u>
Program Expenses:			
Recreation and cultures		2,038,724	2,011,628
Interest on long-term debt		133,628	249,651
Loss on extinguishment of long-term debt		-	53,615
Total Expenses		<u>2,172,352</u>	<u>2,314,894</u>
Increase (decrease) in net assets		(321,555)	(208,728)
Net assets, beginning		<u>3,825,281</u>	<u>4,034,009</u>
Net Assets, Ending		<u><u>\$3,503,726</u></u>	<u><u>\$3,825,281</u></u>

The Library's total revenues were \$1,850,797. The total cost of all programs and services was \$2,172,352, leaving a decrease in net assets of \$321,555.

Table 3 presents the cost of the Library's largest activity – Recreation and Culture, as well as the program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that the program placed on the Library's operation.

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
Recreation and Culture	<u>\$2,038,724</u>	<u>\$1,263,100</u>

### THE LIBRARY'S FUNDS

As the Library completed the year, its governmental funds reported a combined fund balance of \$973,564, a decrease of (\$312,963) from the beginning of the year. The majority of this decrease was due to the payment of debt service requirements from accumulated resources instead of through new funding sources.

### General Fund Budgetary Highlights

The Peter White Public Library continues to be a vital part of the Marquette community. In 2007/2008, attendance increased by 2.7% and the number of items checked out increased by 5.8%. This demonstrates that the Library is a heavily used community service.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Library revenues increased 9% from FY 2006/2007 and expenditures increased by 7.4% for the same period.

Property and personal tax revenues also increased in the City of Marquette and the five townships (Chocolay, Marquette, Sands, Skandia and West Branch) that provide millage support to the PWPL. City of Marquette tax revenues increased 6.8 % while township support increased by 11.4 %. The Board of Trustees negotiated a three year Contract for Library Services with Powell Township. This contract will result in additional penal fine income for the Library during FY 2008/2009 and the subsequent two years.

The Board of Trustees and administration have made a concerted effort to diversify the Library's income stream. The Library's Deputy Director is responsible for fund raising, writing grants and seeking out other funding to augment the Library's budget. Support from private sources and Library investments increased by 107% from FY 2006/2007 to FY 2007/2008. The support from private sources and investments totaled \$152,624 this year.

Increased funding allowed the Peter White Public Library to replace a retiring para-professional with a credentialed Librarian and enabled the Library to increase the Arts and Programming Coordinator position to full-time.

The Board of Trustees and AFSCME represented employees completed negotiations for a three year labor agreement that expires on June 30, 2011. This agreement will allow the Library to project employee costs for the next three years.

The Library recorded 319,337 visitors during FY 2007/2008. There were 355,318 items checked out. Public access computers were used 76,199 times and 12,419 people attended Library sponsored programs. The Board of Trustees and staff intend to continue the tradition of quality library service to the residents of the Marquette area.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2008, the Library had \$5,554,676 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(net of depreciation)**

	Governmental Activities	
	2008	2007
Land	\$114,704	\$114,704
Buildings and improvements	5,143,401	5,577,769
Equipment and furnishings	286,571	340,261
Totals	<u>\$5,544,676</u>	<u>\$6,032,734</u>

#### Debt

At year-end, the Library had \$2,910,000 in bonds outstanding as depicted in Table 5 below.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities	
	2008	2007
1997 Library Improvement Bonds	\$-	\$220,000
1998 Building Authority Bonds	-	245,000
2006 Library Improvement Bonds	2,910,000	2,935,000
Totals	<u>\$2,910,000</u>	<u>\$3,400,000</u>

There were new additions to debt for this year and further details on long-term debt can be found in Note D.

### **Economic Factors and Next Year's Budget**

The Peter White Public Library Board of Trustees are appointed by the Mayor of the City of Marquette and approved by the City Commission. Trustees serve five year appointments with a maximum appointment of two terms (10 years) allowed. The Board is responsible for setting the annual operating budget and managing investment accounts. The Board considers many factors when setting the annual budget.

The PWPL has occupied the renovated and expanded facility since October 2000. The Board and staff now feel comfortable projecting operational costs for the facility. In most cases operational costs are fixed and cannot be reduced. This leaves the personnel and materials budgets to bear any cuts that have to be made.

For many years the Board of Trustees have tried to budget 15% for Library materials—books, magazines, audio visual materials, etc. This benchmark is the accepted figure for materials' expenses. Unfortunately, the PWPL budget has not been sufficient to allow expenditures at this level. The materials budget has generally been in the range of 10%. Despite the fact that this goal has been unattainable over the past years, the Board still feels the purchase of materials should be a priority. Each year they try to increase the budget for materials. FY 2008/2009 budget earmarks approximately 11% for materials.

Health insurance costs continue to escalate and impact staffing at PWPL. A labor agreement was signed with AFSCME represented employees. This three year contract is set to expire on June 30, 2011. This contract allows the Board and administration to project employee related costs. The agreement also requires AFSCME staff to pay a portion of health insurance premiums if they rise more than 8% in any given year.

The uncertainty in the financial markets may have a marked impact on the Library's investments—the Carroll Paul Memorial Trust Fund (CPMTF) and the General Capital Improvements Trust Fund. The Library depends on these funds for income that is used to provide programming, materials and equipment related to music and to fund capital improvements. The CPMTF generally provides approximately \$30,000 to the PWPL operating budget each year. If the income from these investments is not forthcoming, the PWPL budget will have to be cut or additional funds must be secured to continue the current level of spending.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

Public Libraries are frequently used more during poor economic times than when the economy is strong. People who are watching their budget do not spend money on books, magazines and AV materials—they will borrow them from the Library. The majority of the PWPL's budget is derived from property and personal property taxes, so variables in state and local funding do not affect the Library as readily as other institutions. The Library could suffer if tax payments are not made and the State of Michigan is unable to cover delinquencies. The Board and administration realize that they will have to monitor revenues and expenses on a regular basis and make necessary changes in order to continue to serve residents of the Marquette area with the quality library services they have come to expect.

### **CONTACTING THE LIBRARY FINANCIAL MANAGEMENT**

This financial report is designated to provide our customers, investors and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Library Director at Peter White Public Library, 217 North Front Street, Marquette, Michigan, 49855.

**City of Marquette, Michigan  
Peter White Public Library**

STATEMENT OF NET ASSETS

June 30, 2008

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 174,556
Investments	807,889
Taxes receivable, net	1,088,063
Accounts receivable, net	7,825
	<hr/>
<b>TOTAL CURRENT ASSETS</b>	<b>2,078,333</b>
	<hr/>
Noncurrent assets:	
Land	114,704
Other capital assets	11,080,564
Accumulated depreciation	(5,650,592)
	<hr/>
<b>TOTAL NONCURRENT ASSETS</b>	<b>5,544,676</b>
	<hr/>
<b>TOTAL ASSETS</b>	<b>7,623,009</b>
	<hr/>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	18,635
Unearned revenue	1,086,134
Bonds payable - due in one year	245,000
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,349,769</b>
	<hr/>
Noncurrent liabilities:	
Bonds payable - due in more than one year	2,665,000
Compensated absences	104,514
	<hr/>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,769,514</b>
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>4,119,283</b>
	<hr/>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	2,634,676
Restricted:	
Retirement of debt	1,552
Endowments	785,950
Unrestricted	81,548
	<hr/>
<b>TOTAL NET ASSETS</b>	<b>\$ 3,503,726</b>
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The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan  
Peter White Public Library**

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2008

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Recreation and culture	\$ 2,038,724	\$ 230,583	\$ 545,041	\$ (1,263,100)
Interest on long-term debt	133,628	-	-	(133,628)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 2,172,352</u>	<u>\$ 230,583</u>	<u>\$ 545,041</u>	<u>(1,396,728)</u>
<b>General revenues:</b>				
				1,073,124
Property taxes				(5,754)
Interest and investment earnings				7,803
Miscellaneous				<u>1,075,173</u>
			Total General Revenues	<u>1,075,173</u>
Net change in net assets				(321,555)
Net assets, beginning of year				<u>3,825,281</u>
Net assets, end of year				<u>\$ 3,503,726</u>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan  
Peter White Public Library**

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

	General Fund	Carroll Paul Memorial Trust Fund	1997 Library Improvement Debt Fund	1998 Building Authority Debt Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 338,627	\$ 23,598	\$ 872	\$ (188,541)	\$ 174,556
Investments	45,537	762,352	-	-	807,889
Taxes receivable, net	741,526	-	346,537	-	1,088,063
Accounts receivable, net	7,825	-	-	-	7,825
Due from other funds	-	-	-	188,541	188,541
<b>TOTAL ASSETS</b>	<u>\$ 1,133,515</u>	<u>\$ 785,950</u>	<u>\$ 347,409</u>	<u>\$ -</u>	<u>\$ 2,266,874</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 18,635	\$ -	\$ -	\$ -	\$ 18,635
Deferred revenue	740,277	-	345,857	-	1,086,134
Due to other funds	188,541	-	-	-	188,541
<b>TOTAL LIABILITIES</b>	<u>947,453</u>	<u>-</u>	<u>345,857</u>	<u>-</u>	<u>1,293,310</u>
<b>FUND BALANCE:</b>					
Reserved for:					
Retirement of debt	-	-	1,552	-	1,552
Endowments	-	785,950	-	-	785,950
Unreserved, reported in:					
General Fund	186,062	-	-	-	186,062
<b>TOTAL FUND BALANCE</b>	<u>186,062</u>	<u>785,950</u>	<u>1,552</u>	<u>-</u>	<u>973,564</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 1,133,515</u>	<u>\$ 785,950</u>	<u>\$ 347,409</u>	<u>\$ -</u>	<u>\$ 2,266,874</u>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan  
Peter White Public Library**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

June 30, 2008

Total Fund Balances for Governmental Funds	\$	973,564
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*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds

Cost of capital assets	11,195,268	
Accumulated depreciation	<u>(5,650,592)</u>	
		5,544,676

Long-term liabilities are not due and payable in the current  
period and therefore are not reported in the funds:

Bonds payable	(2,910,000)	
Compensated absences	<u>(104,514)</u>	
		(3,014,514)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

	\$	<u><u>3,503,726</u></u>
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The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan  
Peter White Public Library**

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2008

	General Fund	Carroll Paul Memorial Trust Fund	1997 Library Improvement Debt Fund	1998 Building Authority Debt Fund	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 721,747	\$ -	\$ 351,377	\$ -	\$ 1,073,124
State sources	39,776	-	-	-	39,776
Local sources	369,713	-	-	-	369,713
Charges for services	46,908	-	-	-	46,908
Fines and forfeiture	147,050	-	-	-	147,050
Rentals	36,625	-	-	-	36,625
Contributions from private sources	128,244	-	-	7,308	135,552
Investment income	24,380	(45,460)	-	15,326	(5,754)
Other	5,880	-	1,923	-	7,803
<b>TOTAL REVENUES</b>	<b>1,520,323</b>	<b>(45,460)</b>	<b>353,300</b>	<b>22,634</b>	<b>1,850,797</b>
<b>EXPENDITURES:</b>					
Recreation and Culture:					
Personnel services	948,917	-	-	-	948,917
Supplies	94,074	-	-	-	94,074
Other services and charges	343,192	3,011	-	-	346,203
Capital outlay	150,938	-	-	-	150,938
Debt service					
Principal retirement	-	-	245,000	245,000	490,000
Interest and fiscal charges	-	-	122,480	11,148	133,628
<b>TOTAL EXPENDITURES</b>	<b>1,537,121</b>	<b>3,011</b>	<b>367,480</b>	<b>256,148</b>	<b>2,163,760</b>
<b>NET REVENUES OVER EXPENDITURES</b>	<b>(16,798)</b>	<b>(48,471)</b>	<b>(14,180)</b>	<b>(233,514)</b>	<b>(312,963)</b>
<b>OTHER FINANCING SOURCE (USES)</b>					
Transfers In	18,000	-	-	188,541	206,541
Transfers (Out)	(188,541)	(18,000)	-	-	(206,541)
Refunding Bonds	-	-	-	-	-
Premium on Bond Issuance	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(170,541)</b>	<b>(18,000)</b>	<b>-</b>	<b>188,541</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(187,339)</b>	<b>(66,471)</b>	<b>(14,180)</b>	<b>(44,973)</b>	<b>(312,963)</b>
Fund balance, beginning of year	373,401	852,421	15,732	44,973	1,286,527
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 186,062</b>	<b>\$ 785,950</b>	<b>\$ 1,552</b>	<b>\$ -</b>	<b>\$ 973,564</b>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan  
Peter White Public Library**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (312,963)
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*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ -	
Depreciation expense	<u>(488,058)</u>	(488,058)

Issuance of bond principal is a revenue in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets.

-

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Existing debt

490,000

Some expenses such as accrued sick and vacation expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(10,534)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

	<u><u>\$ (321,555)</u></u>
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**CITY OF MARQUETTE, MICHIGAN  
PETER WHITE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Peter White Public Library (the “Library”) conform to accounting principles generally accepted in the United States of America applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

**(A) DESCRIPTION**

The Library is a discretely presented component unit of the City of Marquette and was created under Local Acts of 1891, Section No. 254. The Library’s governing body consists of five trustees appointed by the City of Marquette’s Mayor with the confirmation of the City Commission.

**(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Library’s basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library’s major funds). The government-wide financial statements (i.e. the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual funds are reported as separate columns in the fund financial statements.

**(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Library receives the cash.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first. Unrestricted resources are used as they are needed.

The financial transactions of the Library are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Library reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

**Carroll Paul Memorial Trust Fund** – The Carroll Paul Memorial Trust fund is a special revenue fund of the Library. It is used to account for the trust arrangement that supports the musical programs of the Library.

**1997 Library Improvement Debt Service Fund and 1998 Building Authority Debt Service Fund** – The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

### Property Taxes

City of Marquette property taxes attach as an enforceable lien on property as of January 1. Taxes are levied no later than the third Monday in May and payable on July 1. Taxes receivable are recorded when levied, as the legal right to receive exists. However, such revenues are not normally received until after the 60 day period following the fiscal year-end. Accordingly, deferred revenue is being recognized for such amounts.

### Capital Assets

Capital assets, which include property, plant and equipment, are reported within the governmental activities in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements. Accumulated depreciation is reported on the government-wide statement of net assets. The straight-line depreciation method is applied over the estimated useful life of capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	25-40 years
Equipment and furnishings	5-15 years

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### Long-Term Liabilities

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net assets. In the governmental funds financial statements, long-term debt is not reported as liabilities. The debt proceeds are reported as other financing sources and the payment of principal and interest is reported as expenditures. The Library's debt consists primarily of bonds that are the general obligation of the Library and is backed by the City of Marquette's full faith and credit.

### Budgets and Budgetary Accounting

The City of Marquette follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the third Monday in April, the City Manager submits to the City Commission a proposed operating budget, approved by the Library's Board of Trustees for the ensuing fiscal year commencing July 1 in accordance with Section 8.2 of the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than the first Monday in May, the budget is adopted by the City Commission in accordance with the provisions of Section 8.6 of the City Charter.
4. The City Commission adopts the budget by functional categories as presented in the Combined Statements. Any transfers of appropriations between functions must be approved by the City Commission. All unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the General fund, all Special Revenue Funds, Debt Service Funds and Capital Projects Funds. Informational budget summaries only are adopted for the Enterprise and Internal Service Funds. Such funds are not covered under the State of Michigan's Public Act 621 nor the City of Marquette's General Appropriations Act.
6. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
7. The legally adopted budgets for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds and the informational summaries for the Enterprise and Internal Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

### Interfund Activity

The effect of interfund activity has been eliminated from the government-wide statements. In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded in the fund financial statements.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**Cash Equivalents

For purposes of balance sheet classification, the Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**NOTE B – DEPOSITS AND INVESTMENTS:**Cash Equivalents

As of June 30, 2008, the Library's cash and cash equivalents and investments were reported in the Government-wide Statement of Net Assets as follows:

Cash and equivalents	\$174,556
Investments	807,889
	<u>\$982,445</u>

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State law does not require and the Library does not have a deposit policy for custodial credit risk. As of June 30, 2008, the carrying amount of the Library's deposits with financial institutions was \$174,556 and the bank balance was \$174,556. The bank balance is insured by the FDIC or uncollateralized with securities held by the Library in its name to the extent of the City of Marquette's pooled cash categorization.

Investments

As of June 30, 2008, the Library had the following investments.

Investment Type	Fair Value	Investment Maturities (In years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Agencies	\$-	\$-	\$-	\$-	\$-
Mutual Bond Funds	343,354	343,354	-	-	-
Mutual Equity Funds	464,535	464,535	-	-	-
	<u>\$807,889</u>	<u>\$807,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Library's investments. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

Michigan statutes authorize the Library to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Library has no investment policy that would further limit its investment choices. The Library's investments in Mutual Bond Funds are rated A3 to AAA by Moody's and the remaining investments are not subject to ratings. The Library's investments are in accordance with statutory authority.

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):***Concentration of Credit Risk*

The Library places no limit on the amount the Library may invest in any one issuer. There were no investments subject to the concentration of credit risk disclosure.

**NOTE C– CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2008 is as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$114,704	\$ -	\$ -	\$114,704
Capital assets being depreciated:				
Buildings	60,092	-	-	60,092
Building improvements	8,788,004	-	-	8,788,004
Furniture and equipment	<u>2,232,468</u>	<u>-</u>	<u>-</u>	<u>2,232,468</u>
Total Capital Assets	<u>11,195,268</u>	<u>-</u>	<u>-</u>	<u>11,195,268</u>
Less accumulated depreciation:				
Buildings	(14,323)	(1,201)	-	(15,524)
Building improvements	(3,256,004)	(433,167)	-	(3,689,171)
Furniture and equipment	<u>(1,892,207)</u>	<u>(53,690)</u>	<u>-</u>	<u>(1,945,897)</u>
Total Accumulated Depreciation	<u>(5,162,534)</u>	<u>( 488,058)</u>	<u>-</u>	<u>(5,650,892)</u>
Capital Assets, net	<u>\$6,032,734</u>	<u>\$(488,058)</u>	<u>\$ -</u>	<u>\$5,544,676</u>

Total depreciation expense of \$488,058 was included in the Recreation & Culture program governmental activities.

**NOTE D – LONG-TERM DEBT:**

Changes in long-term debt during the year ended June 30, 2008 are summarized as follows:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008	Due With One Year
1997 General Obligation Bonds – Library Improvement	\$220,000	\$ -	\$ 220,000	\$ -	\$ -
1998 Building Authority Bonds – Library	245,000	-	245,000	-	-
2006 General Obligation Bonds – Library Improvement	2,935,000	-	25,000	2,910,000	245,000
Accrued Compensated Absences	<u>93,980</u>	<u>10,534</u>	<u>-</u>	<u>104,514</u>	<u>-</u>
TOTAL LONG-TERM DEBT	<u>\$3,493,980</u>	<u>\$10,534</u>	<u>\$490,000</u>	<u>\$3,014,514</u>	<u>\$245,000</u>

On December 27, 1997, the City of Marquette, Michigan, issued \$4,500,000 General Obligation Unlimited Tax Library Improvement Bonds for the purpose of defraying a portion of the cost of expanding and renovating the Peter White Public Library located in the City of Marquette. The bonds were issued pursuant to the provisions of Act 227, Public Acts of Michigan, 1985, as amended. The full faith and credit of the City of Marquette are pledged for the payment of the principal and of the interest on the bonds when due. There shall be levied upon all taxable property in the City an amount such that the estimated collections there from will be sufficient to pay the principal and interest on the bonds while outstanding.

**NOTE D – LONG-TERM DEBT (Continued):**

On June 16, 1998, the City of Marquette Building Authority, issued \$2,000,000 Building Authority Bonds (Peter White Public Library) Series 1998 for the purpose of defraying the cost of renovating, constructing, furnishing and equipping improvements to the existing Peter White Public Library. The bonds were issued pursuant to the provisions of Act 31 of P.A. 1948, as amended. The bond's principal and interest are payable from lease payments required to be paid by the Library to the Building Authority pursuant to the Contract of Lease between the City and the Authority. When all of the Building Authority Bonds have been retired the Authority shall convey all rights, title, and interest to the Library.

On October 3, 2006, the City issued \$2,935,000 in General Obligation Unlimited Tax Refunding Bonds, Series 2006 with an interest rate of 4.0% to advance refund \$2,885,000 of outstanding General Obligation Unlimited Tax Library Improvement Bonds, Series 1997 maturing in fiscal years 2009 through 2018. The 2006 Issue net proceeds of \$2,896,462 (after payment of \$81,939 in underwriting fees, insurance, and other issuance costs plus an additional \$43,401 reoffering premium) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all callable future debt service payments on the 1997 General Obligation Unlimited Tax Library Improvement Bonds. As a result, the 1997 General Obligation Unlimited Tax Library Improvement Bonds are considered to be defeased and the liability for those has been removed from the Governmental Activities long-term debt balance. On June 30, 2008, \$-0- remains outstanding on the 1997 General Obligation Unlimited Tax Library Improvement Bonds as this amount was not included in the bonds refunding.

The detail of the annual principal and interest requirements through maturity for all bonded debt outstanding as of June 30, 2008 are as follows:

Maturities	2006 G.O. Bonds Library Improvement	Totals
Year Ending June 30:		
2009	\$356,500	\$356,500
2010	351,600	351,600
2011	351,400	351,400
2012	355,700	355,700
2013-2017	1,762,100	1,762,100
2018-2020	351,900	351,900
	3,529,200	3,529,200
Less Interest	(619,200)	(619,200)
	<u>\$2,910,000</u>	<u>\$2,910,000</u>

**NOTE E – UNEARNED REVENUES:**

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Library has reported unearned revenue of \$1,086,134, which relates to its portion of the City of Marquette's 2008 tax levy.

**NOTE F – DEFINED BENEFIT PENSION PLAN:*****Plan Description***

Through the City of Marquette, the Library contributes to the Michigan Municipal Employees Retirement System (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

**NOTE F – DEFINED BENEFIT PENSION PLAN (Continued):**

All full-time employees of the Library are eligible to participate in the System. Benefits vest after six years for senior management and after ten years for all others. City employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, annual benefits are determined by negotiated contractual benefits within statute guidelines. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Active employees with 10 or more years of service, who become disabled, receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired service is less than 10 years.

If an active employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

***Funding Policy***

City employees are required to contribute five percent of their annual compensation to the System. The City pays the contribution for senior management. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

***Annual Pension Cost***

Funding information is not available for the Library as a separate unit. Therefore, the information given is the total of the City of Marquette and the Library. For the year ended June 30, 2008, the City's annual pension cost of \$858,658 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

***Trend Information***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten year trend information is as follows:

Fiscal Year Ending June 30	Valuation Date December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	2003	\$625,812	100%	0
2007	2004	700,844	100%	0
2008	2005	858,658	100%	0

**NOTE F – DEFINED BENEFIT PENSION PLAN (Continued):****City of Marquette, Michigan**

**MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN  
DEFINED BENEFIT PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date <u>December 31</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
1998	\$15,257,550	\$16,216,678	\$959,128	94	\$5,031,270	19%
1999	16,969,765	17,430,314	460,549	97	4,909,541	9
2000	18,722,203	20,136,439	1,414,236	93	4,803,572	29
2001	20,056,537	23,113,321	3,056,784	87	5,039,800	61
2002	20,799,934	24,588,188	3,788,254	85	5,227,706	72
2003	22,629,322	25,997,838	3,368,516	87	5,393,986	65
2004	24,187,555	28,468,133	4,280,578	85	5,426,755	81
2005	25,645,477	33,158,414	7,512,937	77	5,435,528	159
2006	26,951,096	36,475,540	9,524,444	74	5,264,612	183
2007	28,414,859	38,247,393	9,832,534	74	5,454,443	182

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ending <u>June 30</u>	Valuation Date <u>December 31</u>	Annual Pension Cost (APC)	Percentage of <u>APC</u> Contributed	Net Pension Obligation
1999	1996	\$295,912	100.0%	0
2000	1997	424,066	100.0%	0
2001	1998	381,485	100.0%	0
2002	1999	399,053	100.0%	0
2003	2000	456,453	100.0%	0
2004	2001	521,245	100.0%	0
2005	2002	545,201	100.0%	0
2006	2003	625,812	100.0%	0
2007	2004	700,844	100.0%	0
2008	2005	858,658	100.0%	0

**NOTES TO THE REQUIRED SCHEDULES**

The required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included **(a)** a rate of return on the investment of present and future assets of 8.0% per year, compounded annually, **(b)** projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and **(c)** additional projected salary increases ranging from 0.00% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.



**NOTE G –BUDGETARY NONCOMPLIANCE:**

Expenses of expenditure over appropriations in the individual governmental funds are as follows:

**General Fund:**

Parks and Recreation	
Personnel Services	\$2,717
Other Services and Charges	17,542
Transfers Out	188,541

**Carroll Paul Memorial Trust Fund**

Parks and Recreation	
Other Services and Charges	3,011

**NOTE H – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS IN/(OUT):**

The Library reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds.

Interfund transactions resulting in interfund receivables and payables are as follows:

		Due From Other Funds				
Due To Other Funds		General Fund	Carroll Paul Memorial Trust Fund	1997 Library Improvement Debt Service Fund	1998 Building Authority Debt Service Fund	Total Due to Other Funds
	General	\$-	\$-	\$-	\$188,541	\$188,541
	1998 Building Authority Debt Service Fund	-	-	-	-	-
	Total Due From Other Funds	\$-	\$-	\$-	\$188,541	\$188,541

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The interfund transfers for the year are as follows:

		Transfer Out To Other Funds				
Transfer In From Other Funds		General Fund	Carroll Paul Memorial Trust Fund	1997 Library Improvement Debt Service Fund	1998 Building Authority Debt Service Fund	Total Transfers In
	General	\$-	\$18,000	\$-	\$-	\$18,000
	1998 Building Authority Debt Service Fund	188,541	-	-	-	188,541
	Total Transfers Out	\$188,541	\$18,000	\$-	\$-	\$206,541

**NOTE H – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS IN/(OUT)**  
**(Continued):**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the current year the final payment on the \$2.0 million Building Authority Bond came due. The balance in the 1998 Building Authority Debt Service Fund was not sufficient to cover the final bond payment; therefore a transfer was made from the General Fund, as presented above, to cover the remaining balance of the final bond payment due June 30, 2008.

**NOTE I – CONSTRUCTION COMMITMENTS:**

At June 30, 2008, the Peter White Public Library had uncompleted construction contracts of approximately \$23,000 for the replacement of the 1904 building's roof.

**NOTE J – INSURANCE RECOVERIES:**

The Peter White Public Library's roof suffered hail damage during the 2006-07 fiscal year. As a result, the Library has recognized approximately \$34,000 in insurance recoveries resulting from that incident during the current year.

### **Required Supplemental Information**

**City of Marquette, Michigan  
Peter White Public Library**

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	<b>Budgeted Amounts</b>		<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive/ (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Property taxes	\$ 714,400	\$ 714,400	\$ 721,747	\$ 7,347
State sources	23,750	23,750	39,776	16,026
Local sources	368,250	368,250	369,713	1,463
Charges for services	52,500	52,500	46,908	(5,592)
Fines and forfeiture	177,000	177,000	147,050	(29,950)
Rentals	30,000	30,000	36,625	6,625
Contributions from private sources	84,000	84,000	128,244	44,244
Investment income	19,000	19,000	24,380	5,380
Other	13,950	13,950	5,880	(8,070)
<b>TOTAL REVENUES</b>	<b>1,482,850</b>	<b>1,482,850</b>	<b>1,520,323</b>	<b>37,473</b>
<b>EXPENDITURES:</b>				
Recreation and Culture:				
Personnel services	875,500	946,200	948,917	(2,717)
Supplies	95,700	95,700	94,074	1,626
Other services and charges	325,650	325,650	343,192	(17,542)
Capital outlay	151,300	151,300	150,938	362
<b>TOTAL EXPENDITURES</b>	<b>1,448,150</b>	<b>1,518,850</b>	<b>1,537,121</b>	<b>(18,271)</b>
<b>NET REVENUES OVER EXPENDITURES</b>	<b>34,700</b>	<b>(36,000)</b>	<b>(16,798)</b>	<b>19,202</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	36,000	36,000	18,000	(18,000)
Transfers (out)	-	-	(188,541)	(188,541)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>36,000</b>	<b>36,000</b>	<b>(170,541)</b>	<b>(206,541)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>70,700</b>	<b>-</b>	<b>(187,339)</b>	<b>(187,339)</b>
Fund balance, beginning of year	373,401	373,401	373,401	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 444,101</b>	<b>\$ 373,401</b>	<b>\$ 186,062</b>	<b>\$ (187,339)</b>

**City of Marquette, Michigan  
Peter White Public Library**

CARROLL PAUL MEMORIAL TRUST FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	<b>Budgeted Amounts</b>		<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive/ (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Investment income	\$ 33,700	\$ 33,700	\$ (45,460)	\$ (79,160)
<b>TOTAL REVENUES</b>	<u>33,700</u>	<u>33,700</u>	<u>(45,460)</u>	<u>(79,160)</u>
<b>EXPENDITURES:</b>				
Recreation and Culture:				
Musical supplies and services	33,875	33,875	-	33,875
Other services and charges	-	-	3,011	(3,011)
<b>TOTAL EXPENDITURES</b>	<u>33,875</u>	<u>33,875</u>	<u>3,011</u>	<u>30,864</u>
<b>NET REVENUES OVER EXPENDITURES</b>	<u>(175)</u>	<u>(175)</u>	<u>(48,471)</u>	<u>(48,296)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(18,000)	(18,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(18,000)</u>	<u>(18,000)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>(175)</u>	<u>(175)</u>	<u>(66,471)</u>	<u>(66,296)</u>
Fund balance, beginning of year	<u>852,421</u>	<u>852,421</u>	<u>852,421</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 852,246</u>	<u>\$ 852,246</u>	<u>\$ 785,950</u>	<u>\$ (48,296)</u>

### **Other Supplemental Information**

**City of Marquette, Michigan  
Peter White Public Library**

1997 LIBRARY IMPROVEMENT DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	<b>Budgeted Amounts</b>		<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive/ (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Property taxes	\$ 344,560	\$ 350,080	\$ 351,377	\$ 1,297
Other	2,400	17,400	1,923	(15,477)
<b>TOTAL REVENUES</b>	<u>346,960</u>	<u>367,480</u>	<u>353,300</u>	<u>(14,180)</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	225,000	245,000	245,000	-
Interest and fiscal charges	121,960	122,480	122,480	-
Other services and charges	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>346,960</u>	<u>367,480</u>	<u>367,480</u>	<u>-</u>
<b>NET REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING (USES)</b>	-	-	(14,180)	(14,180)
<b>OTHER FINANCING (USES)</b>				
Issuance of debt	-	-	-	-
Premium on bond issuance	-	-	-	-
Extinguishment of debt	-	-	-	-
<b>TOTAL OTHER FINANCING (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCE</b>	-	-	(14,180)	(14,180)
Fund balance, beginning of year	<u>15,732</u>	<u>15,732</u>	<u>15,732</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 15,732</u>	<u>\$ 15,732</u>	<u>\$ 1,552</u>	<u>\$ (14,180)</u>

**City of Marquette, Michigan  
Peter White Public Library**

1998 BUILDING AUTHORITY DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	<b>Budgeted Amounts</b>		<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive/ (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Private sources	\$ 236,150	\$ 236,150	\$ 7,308	\$ (228,842)
Investment income	20,000	20,000	15,326	(4,674)
<b>TOTAL REVENUES</b>	<u>256,150</u>	<u>256,150</u>	<u>22,634</u>	<u>(233,516)</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	245,000	245,000	245,000	-
Interest and fiscal charges	11,150	11,150	11,148	2
<b>TOTAL EXPENDITURES</b>	<u>256,150</u>	<u>256,150</u>	<u>256,148</u>	<u>2</u>
<b>NET REVENUES OVER EXPENDITURES</b>	-	-	(233,514)	(233,514)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	188,541	(188,541)
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>188,541</u>	<u>(188,541)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(44,973)	(422,055)
Fund balance, beginning of year	<u>44,973</u>	<u>44,973</u>	<u>44,973</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 44,973</u>	<u>\$ 44,973</u>	<u>\$ -</u>	<u>\$ (422,055)</u>



## **COMPLIANCE SUPPLEMENT**



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Trustees  
of Peter White Public Library  
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities and each major fund of the Peter White Public Library as of and for the year ended June 30, 2008, which collectively comprise the Peter White Public Library's basic financial statements and have issued our report thereon dated November 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Peter White Public Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Peter White Public Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Peter White Public Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Peter White Public Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Peter White Public Library's financial statements that is more than inconsequential will not be prevented or detected by the Peter White Public Library's internal control. We consider the deficiencies described in a separate letter to management dated November 24, 2008 to be significant deficiencies in internal control over financial reporting (item 08-01).

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Peter White Public Library's internal control.

To the Members of the Board of Trustees  
of Peter White Public Library

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Peter White Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is enumerated in Footnote G of the financial statements and described in a separate letter to management dated November 24, 2008 (item 08-02).

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

November 24, 2008



***Peter White Public Library***  
***Report to Management Letter***  
***For the Year Ended June 30, 2008***

To the Members of the Board of Trustees  
of the Peter White Public Library, the  
Honorable Mayor, Members of the  
City Commission and the City Manager  
Marquette, Michigan 49855

In planning and performing our audit of the financial statements of the governmental activities and each major fund information of Peter White Public Library, a component unit of the City of Marquette, Michigan, as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Peter White Public Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

**08-01 Financial Reporting Over Capital Assets**

**Condition/Criteria:** The Peter White Public Library relies on the City of Marquette's records in relation to capital assets; however, no internal controls are established for relaying asset additions and disposal to the City.

**Effect:** The City's records may not be accurate in relation to the Peter White Public Library's additions and disposals.

To the Members of the Board of Trustees  
of the Peter White Public Library, the  
Honorable Mayor, Members of the  
City Commission and the City Manager  
Marquette, Michigan 49855

**Cause of Condition:** Lack of communication between the primary government, the City of Marquette, and its component unit, the Peter White Public Library.

**Recommendation:** Peter White Public Library should maintain its own schedule of capital assets and accumulated depreciation to compare to the City's schedule on a regular basis throughout the year.

**Management Response – Corrective Action Plan:**

Contact Person(s) Responsible for Correction:

- Pamela Christensen, Library Director
- Gary Simpson, Finance Director

Corrective Action Planned:

- The Peter White Public Library will establish a procedure for the internal control of capital assets. The Library Director and Finance Director will review all capital assets currently on record with the City of Marquette and will confirm which assets are still held by the Library and which have been removed from the Library's ownership. In addition the Library will update all records of Capital Assets and maintain an up-to-date data base of all assets. The Library will maintain a schedule of Capital Assets and Accumulated Depreciation and compare it with City of Marquette records on a quarterly basis. The Library will continue to update the Capital Assets report with any individual item costing \$5,000 or more.

Anticipated Completion Date:

- March 31, 2009

**INSTANCES OF NON-COMPLIANCE**

**08-02 –Excess Expenditures (REPEAT)**

**Condition/Criteria:** The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

To the Members of the Board of Trustees  
of the Peter White Public Library, the  
Honorable Mayor, Members of the  
City Commission and the City Manager  
Marquette, Michigan 49855

**Effect:** The City was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds follows:

Component Unit – Peter White Public Library

General Fund:

Parks and Recreation:

Personnel Services	\$2,717
Other Services and Charges	17,542
Transfers Out	188,541

Carroll Paul Memorial Trust Fund:

Parks and Recreation:

Other Services and Charges	3,011
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**Cause of Condition:** Failure to amend the budgets during the year based on the level of expenditures.

**Recommendation:** The City of Marquette, Michigan, and its component unit, Peter White Public Library, should strictly control expenditures so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

**Management Response – Corrective Action Plan:**

Contact person(s) responsible for correction:

- Gary Simpson, Finance Director
- Pamela Christensen, Library Director

Corrective action planned:

- The City of Marquette, Michigan, and its component unit, Peter White Public Library, plan to review budget to actual numbers so that appropriate changes can be made to the final budgets throughout the course of the year.

Anticipated completion date:

- June 30, 2009

The Peter White Public Library's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Peter White Public Library Board of Trustees, the Marquette City Commission, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants